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Message Text

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PAGE 01 PARIS 10854 191017 Z

12
ACTION AF-18

INFO OCT-01 EUR-25 ADP-00 XMB-07 AID-20 EB-11 COME-00

TRSE-00 OMB-01 FRB-02 IGA-02 L-03 H-02 AGR-20 CIAE-00

INR-10 NSAE-00 RSC-01 RSR-01 SS-15 NSC-10 SSO-00

NSCE-00 INRE-00 /149 W
---------- 111583
O 190926 Z APR 73
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 9356

C O N F I D E N T I A L PARIS 10854

E. O. 11652: GDS
TAGS: EAID, US, AG
SUBJECT: EX- IM AND ALGERIA

FROM NEWSOM FOR SMITH, AF

1. WITH REF YOUR TEL RECEIVED IN TUNIS, BELIEVE WE HAVE NO BASIS ASK EX- IM DELAY INFORMING MK IN NORMAL WAY OF REJECTION LOAN APPLICATION IF DECISION FIRM AND DEFICIENCIES EXIST IN APPLICATION WHICH CLEARLY MAKE LOAN UNSUPPORTABLE. I AM ASSUMING SUCH DEFICIENCIES WILL BE CLEARLY EXPLAINED TO MK AND TO ALGERIANS IF THEY ASK.

2. IF, HOWEVER, PROBLEM IS MORE BASIC AND DECISION REPRESENTS DOUBT ON PART OF BANK IN POST- EL PASO PERIOD REGARDING ALGERIA' S DEBT- SERVICING CAPACITY, MATTER ASSUMES FOREIGN POLICY ASPECTS. I CAN UNDERSTAND BANK' S CONCERNS BUT WOULD WELCOME OPPORTUNITY DISCUSS WITH THEM WHETHER REJECTION THIS LOAN AT THIS TIME IS BEST MEANS MAKING POINT WITH ALGERIANS. TACTICS AT THIS POINT VERY IMPORTANT FOR FUTURE RELATIONSHIP. UNLESS LOAN REJECTION CAN BE CLEARLY EXPLAINED BY INHERENT DEFICIENCIES IN APPLICATION ITSELF, ALGERIANS WILL ALMOST CERTAINLY SEE IT AS POLITICAL ACT IMMEDIATELY FOLLOWING MY VISIT IN WHICH THEY FAILED AGREE RESUME DIPLOMATIC RELATIONS. LOAN IS FOR PROJECT IN AGRICULTURAL SECTOR, PARTICULARLY CLOSE TO BOUMEDIENNE. LOAN IS RELATIVELY
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SMALL IN VIEW OUR OVERALL EXPOSURE. MK HAS EXCELLENT RECORD IN ALGERIA, PARTICULARLY WITH MINISTER ARBAOUI WHOSE PREVIOUS PRO- SOVIET INCLINATIONS HAVE BEEN SUBSTANTIALLY ALTERED BY HIS EXPERIENCE TO DATE WITH US FIRMS. I VISITED HIS NEW COMPUTER CENTER, ALREADY EQUIPPED TOTALLY WITH VALUABLE US EXPORTS.

3. FULLY APPRECIATING BANK' S CONCERNS AND INDEPENDENCE, I WOULD SUGGEST THAT, IN PLACE REJECTION THIS APPLICATION, BANK ARRANGE DISCUSS BASIC ISSUE WITH MAHROUN HERE OR IN ALGIERS. RESPECT FOR PRESIDENT KEARNS IS HIGH IN ALGERIA AND WELCOME MAT IS OUT. I WOULD HOPE THAT BEFORE ACT IS TAKEN WITH INEVITABLE POLITICAL IMPLICATIONS, I MIGHT HAVE OPPORTUNITY DISCUSS WITH HIM MY IMPRESSIONS AFTER VISIT AND TACTICS BY WHICH WE CAN BEST CONVEY TO ALGERIA OUR LONGER- TERM CONCERNS.
IRWIN

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*** Current Handling Restrictions *** n/a
*** Current Classification *** CONFIDENTIAL

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